UNITED WHELAN CORPORATION

Annual Report

1962

Board of Directors

Leo Bertisch	Charles Green	J. Raymond McGovern
William L. Pfeiffer	Ted M. Segal	Harry T. Silverman

Officers

Charles Green ..... *Chairman of the Board*
Leo Bertisch ..... *President*
Oscar C. Weitzberg ..... *Administrative Vice President*
F. Philip Gottfried ..... *Vice President and Comptroller*
Alvah K. Parent ..... *Vice President and Secretary*
Herman H. Goldstein ..... *Vice President*
John C. Hutsler ..... *Vice President*
Morton Bertisch ..... *Treasurer*
Charles J. Sewall ..... *Assistant Secretary and Assistant Treasurer*

Executive and General Offices — 82 39th Street, Brooklyn 32, N. Y.

Branch Offices and Warehouses — 239-243 N. W. 28th St., Miami 37, Fla.
910 West Jackson Blvd., Chicago 7, Ill.
610 South Main St., Los Angeles 14, Calif.

Counsel — Aranow, Brodsky, Bohlinger, Einhorn & Dann, New York, N. Y.

Transfer Agent — Convertible Preferred Stock and Common Stock
The Marine Midland Trust Company, New York, N. Y.

Registrar — Convertible Preferred Stock and Common Stock
Chemical Bank New York Trust Company, New York, N. Y.

BRIEF COMPARATIVE HIGHLIGHTS

	1962	1961
Sales and shipments to agents	$46,448,096	$47,957,339
Net income before Federal income taxes	507,088	1,146,655
Federal income taxes(A)	160,000	225,000
Net income after Federal income taxes	347,088	921,655
Earnings per share (Common)	23¢	62¢
Dividends paid (Common)	45¢	50¢
Book value of Common Stock	$8.39	$8.61
Shares of Common Stock outstanding at end of year	1,371,127	1,434,537
Ratio of Current Assets to Current Liabilities	3.1 to 1	3.6 to 1
Units in operation:		
United Whelan stores	98	107
United Whelan agencies	403	409
Charles Stores	29(B)	28

(A) Reference should be made to the Comparative Consolidated Statement of Income and Earned Surplus, included elsewhere in this report, concerning Federal income tax reduction in 1961 due to operating losses of former subsidiaries, and a net operating loss carryover.

(B) Includes one "Charles One-Stop Family Shopping Center" opened in 1962.

March 28, 1963

To the Stockholders of

UNITED WHELAN CORPORATION

There is submitted herewith the Annual Report of your Corporation for the year ended December 31, 1962. During 1962 we were faced with a large increase in competition from all types of discount stores, which forced us to lower our prices, and consequently our profit margins. In this period we were compelled to absorb wage increases resulting from renegotiations of union agreements. Similarly, operating results of our drug stores in the Miami, Florida, area were adversely affected by the Cuban situation, particularly during the blockade in the Fall of 1962 which deterred many tourists from visiting this area. Our drug business for the month of December 1962 (normally our largest profit month) was adversely affected by the New York newspaper strike, where the majority of our drug stores and drug agents are located.

Stockholders were advised by special bulletin that on November 7, 1962, we opened our first "Charles One-Stop Family Shopping Center" of 80,000 square feet in Bethlehem, Pennsylvania. On March 7, 1963, we opened our second unit of this type (approximately 70,000 square feet) in Raleigh, North Carolina. These stores have a complete assortment of quality merchandise offered at retail prices considerably lower than those of the conventional department stores and specialty shops. There is also a modern food market in the Bethlehem store. For the most part, merchandise is on a self-selection and self-service basis and a centralized checkout system provides speed and efficiency. Ample parking facilities have been provided. A third unit of approximately 80,000 square feet will open in the Fall of 1963 in Winston-Salem, North Carolina. Because of inability to resolve zoning and builder problems, the previously announced leases for one-stop shopping centers at New Hyde Park, L. I., Staten Island, N. Y., and Nanuet in Rockland County, N. Y., have been cancelled without obligation on the part of the Corporation. Other locations, however, are under consideration.

We absorbed in full in 1962 all of the costs incident to our entrance into the discount store field, including all of the pre-opening costs of our first store, although the 1962 sales of this store were for the period from November 7, 1962, through December 31, 1962, only.

In the near future, the Corporation's executive, buying and advertising personnel, together with our soft goods warehouse, will be moved from Brooklyn to Manhattan. Management feels that this move will be most advantageous, particularly for our buying and merchandising operations, now that we are getting established in the general merchandise discount business.

The year 1963 will be another year of hard work for all of us. You may be sure that we will bend every effort to improve our earnings. Management is definitely optimistic about the future; this optimism is bolstered by the knowledge that we have an unusually able and loyal staff of executives and employees who are dedicated to making our future a success. To our Stockholders we express our sincere gratitude and appreciation for their patience during 1962.

This report is submitted on behalf of the Board of Directors.

Charles Allen
Chairman of the Board

Leo Bertisch
President

UNITED WHELAN CORPORATI

COMPARATIVE CONSO

As at December

ASSETS

	1962	1961
CURRENT ASSETS:		
Cash	$ 3,304,582	$ 4,421,119
Investments, at cost	850,706	627,398
Accounts and notes receivable, and merchandise shipments to agents, less reserves—Note A	966,033	952,788
Inventories of merchandise and supplies, at cost or market whichever is lower	8,520,780	8,151,284
Prepaid insurance, taxes and rent	294,331	265,276
TOTAL CURRENT ASSETS	13,936,432	14,417,865
OTHER ASSETS:		
Merchandise shipments to agents—Note A	173,575	192,800
Notes and accounts receivable due after one year, etc.	107,220	85,106
	280,795	277,906
FIXED ASSETS, at cost or less:		
Land, building and building improvements	114,599	114,599
Furniture, fixtures and equipment (includes approximately $2,000,000 and $1,800,000, respectively, on which depreciation provided is equal to asset)	4,967,751	4,761,520
	5,082,350	4,876,119
Less: Depreciation	3,420,966	3,372,892
	1,661,384	1,503,227
Improvements to leaseholds, less amortization	1,329,289	1,446,870
	2,990,673	2,950,097
DEFERRED CHARGES	115,667	131,109
	$17,323,567	$17,776,977

The accompanying notes are

AND SUBSIDIARY COMPANIES

DATED BALANCE SHEET
, 1962 and 1961

LIABILITIES

	1962	1961
CURRENT LIABILITIES:		
Accounts payable	$ 2,829,334	$ 2,374,578
Dividends payable	102,839	
Taxes accrued and withheld, other than Federal income taxes	821,971	757,318
Accrued expenses and other liabilities	626,562	677,864
Federal income taxes—Note B	142,025	169,325
TOTAL CURRENT LIABILITIES	4,522,731	3,979,085
DEFERRED CREDIT—Note C	287,360	412,760
CAPITAL STOCK AND SURPLUS:		
Capital Stock:		
Convertible Preferred Stock, par value $100.00 a share, $3.50 dividend cumulative (each share exchangeable for four shares of Common Stock):		
Authorized—50,000 shares		
Issued —10,467 shares	1,046,700	1,046,700
Common Stock, par value 30¢ a share:		
Authorized—3,000,000 shares		
Issued —2,307,388 shares	692,216	692,216
Capital Surplus	6,179,958	6,179,958
Earned Surplus	9,365,355	9,689,889
	17,284,229	17,608,763
Less: Treasury stock, at cost—340 shares Convertible Preferred Stock and 936,261 shares Common Stock in 1962 and 125 shares Convertible Preferred Stock and 872,851 shares Common Stock in 1961	4,770,753	4,223,631
	12.513,476	13,385,132
LONG-TERM LEASES, CONTINGENCIES AND OTHER COMMENTS—Note D		
	$17,323,567	$17,776,977

integral part of this statement.

UNITED WHELAN CORPORATION AND SUBSIDIARY COMPANIES

COMPARATIVE CONSOLIDATED STATEMENT OF INCOME AND EARNED SURPLUS

For the Years Ended December 31, 1962 and 1961

	1962	1961
Net sales and shipments to agents—Note A	$46,448,096	$47,957,339
Cost of goods sold, cost of shipments to agents and selling, general and administrative expenses, exclusive of depreciation and amortization—Note D	45,439,864	46,640,584
	1,008,232	1,316,755
Depreciation and amortization (exclusive of amounts applicable to real estate operations)	506,767	497,981
	501,465	818,774
Other income:		
Net gain on sales of securities		362,282
Dividends and interest	46,402	17,523
Miscellaneous	80,359	65,230
	126,761	445,035
	628,226	1,263,809
Other deductions:		
Loss from real estate operations (including depreciation and amortization of $50,856 in 1962 and $53,973 in 1961)—Note D	112,497	160,704
Miscellaneous (including, in 1962, $109,620 store pre-opening expenses)	134,041	81,850
	246,538	242,554
	381,688	1,021,255
Amortization of excess of equity in net assets of a consolidated subsidiary company over investment therein—Note C	125,400	125,400
Net income before Federal income taxes	507,088	1,146,655
Estimated Federal income taxes applicable to above income—Note B	160,000	599,000
Net income before Federal income tax reduction	347,088	547,655
Federal income tax reduction resulting from filing a consolidated Federal income tax return which includes deductible losses of former subsidiaries and a consolidated net operating loss carryover—Note B		374,000
Net income	347,088	921,655
Earned Surplus as at beginning of year	9,689,889	9,522,788
	10,036,977	10,444,443
Dividends on Convertible Preferred Stock	36,167	38,855
Dividends on Common Stock	635,455	715,699
	671,622	754,554
Earned Surplus as at end of year	$ 9,365,355	$ 9,689,889

The accompanying notes are an integral part of this statement.

UNITED WHELAN CORPORATION AND SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS
As at December 31, 1962

Reference should be made to the previously issued Annual Report for the Accountants' Report and notes applicable to the consolidated financial statements as at December 31, 1961 and for the year then ended.

NOTE A—MERCHANDISE SHIPMENTS TO AGENTS:

In accordance with the Corporation's established policy, net sales and shipments to agents, as shown in the accompanying consolidated statement of income and earned surplus, include amounts representing merchandise shipments to certain agents who operate retail outlets, ownership of which merchandise, under the terms of the agency agreements, remains with the Corporation until the merchandise is sold by the agents. Amounts owing by such agents for merchandise sold as at December 31, 1962, and the accountability of such agents as at that date for unsold shipments of merchandise (other than initial inventory allowances) together total $505,396, which amount is included in the accompanying consolidated balance sheet under Current Assets in "Accounts and notes receivable, and merchandise shipments to agents, less reserves." The initial inventory allowances, for which agents are not required to make settlement until the termination of the agency, are included under Other Assets.

NOTE B—TAXES:

The accompanying financial statements are subject to final determination of Federal, state and local taxes.

NOTE C—DEFERRED CREDIT:

On April 15, 1960, the Corporation acquired all of the outstanding capital stock of Charles Stores Company, Incorporated. The excess of the underlying book equity as at the date of acquisition over the Corporation's investment therein (less costs applicable principally to closed stores) has been treated in the Corporation's consolidated financial statements as a "Deferred Credit." The latter is being credited to income ratably over five years from April 15, 1960, such period representing the approximate weighted average of the then remaining terms of the subsidiary's store leases.

NOTE D—LONG-TERM LEASES, CONTINGENCIES AND OTHER COMMENTS:

The Corporation and its subsidiaries in the ordinary course of business lease substantially all store properties. At December 31, 1962, there were 93 leases expiring more than three years after that date for which the aggregate minimum annual rentals were approximately $1,625,000, including $172,000 applicable to two discount stores not opened as at that date. The majority of these leases provide for additional rentals based upon percentages of sales in excess of predetermined bases and upon other factors. Cost of goods sold, cost of shipments to agents and selling, general and administrative expenses include rent expense of $2,161,274 in 1962 and $2,305,671 in 1961, and loss from real estate operations includes rent expense of $270,579 in 1962 and $363,275 in 1961.

The Corporation is contingently liable with respect to guarantees of the obligations of others in the approximate amount of $165,000.

ACCOUNTANTS' REPORT

To the Stockholders
UNITED WHELAN CORPORATION
New York, N. Y.

We have examined the consolidated balance sheet of United Whelan Corporation and subsidiary companies as at December 31, 1962, and the related consolidated statement of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of income and earned surplus, together with the notes to financial statements, present fairly the consolidated financial position of United Whelan Corporation and subsidiary companies at December 31, 1962, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

S. D. LEIDESDORF & CO.

New York, N. Y.
March 20, 1963

CHARLES

One-Stop Family Shopping Centers

BETHLEHEM, PENNSYLVANIA

RALEIGH, NORTH CAROLINA